

Message Text

LIMITED OFFICIAL USE

PAGE 01 MOSCOW 09149 011726Z

64

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 /020 W
----- 014158

R 011508Z JUL 75
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 1774
INFO USDOC WASHDC

LIMITED OFFICIAL USE MOSCOW 9149

USDOC FOR ASSISTANT SECRETARY WASHBURN AND BEWT/USSR AND TDAD

E.O. 11652: N/A
TAGS: EEWT, BPRO, UR
SUBJECT: MOSCOW HOTEL CONSTRUCTION FOR OLYMPICS

REF: (A) STATE 133999; (B) MOSCOW 8884

1. SUMMARY - KEY FOREIGN TOURISM OFFICIAL REITERATED TO COMATT THAT USSR COULD NOT ACCEPT PROFIT AND MANAGEMENT PARTICIPATION BY AMERICAN FIRMS IN MOSCOW HOTELS. IHC'S PROSPECTS ALLEGEDLY DIM. SOVIETS REMAIN INTERESTED, HOWEVER, IN DEALS PROVIDING HOTEL CONSTRUCTION, FURNISHING AND STAFF TRAINING, AND ONE SUCH ARRANGEMENT WITH AMERICAN FIRM NEAR COMPLETION. NO MOTEL CONSTRUCTION PLANNED AT THIS TIME. END SUMMARY

2. COMATT AND COMOFF CALLED ON N. YA. SANNIKOV, DEPUTY CHIEF (FOR CONSTRUCTION), MAIN ADMINISTRATION FOR FOREIGN TOURISM, JUNE 27 TO SEEK ANSWERS TO QUESTIONS POSED REF A AND REVIEW OPPORTUNITIES FOR US FIRMS IN SOVIET HOTEL CONSTRUCTION WITH FOREIGN LABOR IN LIGHT OF RECENT ARTICLE BY SANNIKOV'S BOSS, S.S. NIKITIN, IN "LITERATURNAYA GAZETA" (REF B).

3. SANNIKOV REITERATED THAT PROPOSALS FROM FOREIGN FIRMS MUST SATISFY THREE CONDITIONS: ATTRACTIVE PRICE, FAVORABLE CREDIT TERMS AND, NATURALLY, ABSENCE OF UNACCEPTABLE ASPECTS. PRICE FACTOR WAS IMPORTANT, HE EMPHASIZED, AS SOVIETS HAD RECEIVED OFFERS FROM VIRTUALLY ALL WESTERN EUROPEAN COUNTRIES, UNITED
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MOSCOW 09149 011726Z

STATED AND EVEN INDIA. ACCEPTABLE CREDIT TERMS WOULD BE 7.0 -

7.2 PERCENT AND EIGHT-NINE YEAR TERM FOLLOWING HOTEL COMPLETION. DEMANDS FOR PARTICIPATION IN PROFITS OR MANAGEMENT UNACCEPTABLE FOR "CONSTITUTIONAL REASONS", BUT PROPOSALS COULD CONTAIN PROVISION FOR STAFF TRAINING. SANNIKOV STRESSED THAT THIS POSITION HAD BEEN MADE CLEAR DURING SEPTEMBER 1974 DISCUSSIONS WITH US TOURISM DELEGATION BUT THAT SOME US FIRMS WERE "ONLY NOW" BECOMING AWARE THAT SOVIETS WERE SERIOUS.

4. ACCORDING TO SANNIKOV, SOME 20 FIRMS HAD APPROACHED HIS OFFICE REGARDING HOTEL CONSTRUCTION BUT ALMOST ALL HAD INITIALLY FAILED TO UNDERSTAND THAT PROFIT AND/OR MANAGEMENT PARTICIPATION WAS NON-STARTER. ONLY TOWER INTERNATIONAL (CYRUS EATON, JR.) HAD DEVELOPED INITIAL PROPOSAL ON BASIS OF SOVIET CONDITIONS, AND THIS COMPANY SHOULD BE ABLE TO FINALIZE DEAL AS SOON AS HOTEL SITE CHOSEN. (CONTRACT WITH TOWER FOR CONSTRUCTION OF HOTEL NEAR BELORUSSKIY STATION WOULD HAVE BEEN SIGNED BY NOW, SANNIKOV NOTED, HAD NOT MOSCOW CITY GOVERNMENT INSISTED AT LAST MOMENT THAT COMPREHENSIVE PLAN BE DEVELOPED FOR AREA.) SOME COMPANIES (REGENCY-HYATT SPECIFICALLY MENTIONED) HAD ABANDONED THEIR PREVIOUS DEMANDS FOR MANAGEMENT/PROFIT PARTICIPATION AND WERE PREPARING REASONABLE OFFERS. HOWEVER, SANNIKOV DOUBTED THAT ANYTHING WOULD DEVELOP FROM LENGTHY NEGOTIATIONS WITH INTER-CONTINENTAL BECAUSE OF SKANSKA CEMENT'S HIGH ASKING PRICE AND IHC'S CONTINUED INSISTENCE ON MANAGEMENT PARTICIPATION.

5. SANNIKOV EMPHASIZED THAT SOVIET POSITION FLEXIBLE IN SOME RESPECTS. SOURCE OF CREDIT IMMATERIAL, SO US FIRMS FREE TO PROCURE FINANCING FROM THIRD-COUNTRY SOURCES. STAFF TRAINING PROGRAMS COULD ASSUME DIFFERENT FORMS AND TAKE PLACE IN USSR AND/OR WEST. ASKED IF THERE WOULD BE OBJECTION TO US FIRMS' USING THIRD-COUNTRY LABOR, SANNIKOV SAW NONE IN PRINCIPLE. HE AGAIN EMPHASIZED THAT SOVIETS WILLING TO WORK WITH AMERICAN FIRMS IF MUTUALLY SATISFACTORY CONDITIONS CAN BE ARRANGED.

6. ASKED ABOUT PLANS FOR MOTEL CONSTRUCTION, SANNIKOV SAID NONE EXISTED AT THIS TIME, FOR HIS ADMINISTRATION WAS CONCENTRATING ITS ATTENTION ON HOTELS. HE DID NOT EXCLUDE THE POSSIBILITY OF MOTEL CONSTRUCTION, HOWEVER, IF REQUIRED TO MEET URGENT DEMANDS FOR ACCOMMODATIONS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MOSCOW 09149 011726Z

7. SANNIKOV ALSO INDICATED POTENTIAL INTEREST IN US HOTEL EQUIPMENT. ALL EQUIPMENT FOR FOREIGN-BUILT HOTELS WOULD BE PURCHASED AS PART OF OVERALL PACKAGE, BUT SOVIETS MAY BE INTERESTED IN PURCHASES FOR HOTELS THEY WILL BUILD THEMSELVES. SANNIKOV NOTED, HOWEVER, THAT SOVIETS PREFER TO STANDARDIZE WHEREVER POSSIBLE TO MINIMIZE SPARE PART PROBLEMS AND CITED DECISION TO USE KONE ELEVATORS (FINNISH FIRM NOW 20 PERCENT OWNED BY WESTINGHOUSE) WHENEVER IMPORTED ELEVATORS REQUIRED.

8. COMMENT: SANNIKOV'S MESSAGE WAS CONSISTENT WITH LINE SET DOWN BY HIS BOSS, S.S. NIKITIN, IN "LITERATURNAYA GAZETA" ARTICLE, I.E. SOVIETS ARE NOT, AT LEAST AT PRESENT, PREPARED TO CONSIDER ARRANGEMENTS WITH WESTERN HOTEL COMPANIES WHICH INVOLVE A MANAGEMENT ROLE FOR LATTER. SOVIETS ARE APPARENTLY SUFFICIENTLY FIRM ON THIS POSITION TO ALLOW VERY ATTRACTIVE SWEDISH FINANCING AVAILABLE UNDER SKANSKA CEMENT/IHC DEAL TO LAPSE IF ACCEPTANCE OF MANAGEMENT ROLE FOR IHC IS REQUIREMENT FOR USE OF CREDIT. STOESSEL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, BUILDINGS, HOTEL ACCOMMODATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MOSCOW09149
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750228-0372
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750795/aaaadhjp.tel
Line Count: 125
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 133999, 75 MOSCOW 8884
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2003 by CunninFX>; APPROVED <12 JUN 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MOSCOW HOTEL CONSTRUCTION FOR OLYMPICS
TAGS: EEWT, BPRO, UR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006